

Welch opposes efforts to divert small business grants to industry

Rep. Peter Welch on Wednesday voted against a bill that would harm Vermont's small businesses by diverting key federal funding to larger, venture capital-backed firms.

The Enhancing Small Business Innovation and Research Act of 2009 (H.R. 2965), which passed Wednesday afternoon on a vote of 386 to 41, reauthorizes the Small Business Innovation Research (SBIR) program. The bill rewrites the definition of small businesses to allow large corporations to compete for this vital seed money, effectively crowding out true small businesses.

Created in 1982, the SBIR program has been highly effective at spurring entrepreneurial innovation, resulting in more than 60,000 patents and launching countless Vermont small businesses. The program funds \$2.2 billion a year in research and development.

As a result of pressure from the pharmaceutical, biotech and venture capital (VC) industry, this bill allows businesses that are majority-owned by VC firms to compete for SBIR grants, allowing large interests to compete for taxpayer-supported, federal funding intended for small businesses. The bill also increases the SBIR grant size cap from \$100,000 to \$250,000 for Phase I funding and \$750,000 to \$2 million for Phase II funding - thereby reducing the number of available grants and squeezing out smaller businesses.

Welch attempted to amend the bill Tuesday with a compromise measure that would limit VC participation and increase the SBIR grant size by a smaller amount. The Welch amendment would have allowed venture-backed businesses to compete for only five percent of SBIR funding and 15 percent of National Institutes of Health funding. It would also increase Phase I and II funding to just \$150,000 and \$1 million respectively. The amendment did not receive sufficient support in the House Rules Committee.

"Small business grants should go to true small businesses - not large corporations masquerading as such," Welch said. "If we fail to protect this critical program, we will deprive small businesses throughout Vermont and throughout the country from receiving funding that

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helps them thrive. During these difficult economic times, we must help small businesses create jobs - not allow established industries to siphon away their funding."